

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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FM AMEMBASSY OSLO
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INFO SECSTATE WASHDC 4238
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E.O. 11652: N/A
TAGS: BEXP, EFIN, EG, NO
SUBJECT: NORWEGIAN SHIPS FOR EGYPT

REF: (A) ALEXANDRIA 791, (B) CAIRO 12906

1. EMBASSY OSLO NOT SURE OF ADDRESSEES' CURRENT STATE OF KNOWLEDGE RE RECENT SIGNINGS OF AGREEMENTS BETWEEN EGYPTIANS AND NORWEGIANS FOR DELIVERY OF NORWEGIAN SHIPS TO EGYPT. BY WAY OF BACKGROUND, THERE IS A NORWEGIAN EXPORT OFFENSIVE TO OBTAIN MORE WORK FOR DEPRESSED NORWEGIAN SHIPYARDS. DELIVERY OF SHIPS TO DEVELOPING COUNTRIES IS A PARTICULAR AIM OF THIS EFFORT, AND METHODS EMPLOYED INCLUDE PROVISION OF LUCRATIVE FINANCING ARRANGEMENTS. THREE ORGANIZATIONS IN NORWAY ARE INVOLVED IN THESE PROMOTIONS IN ADDITION TO COMMERCE AND SHIPPING AND INDUSTRY MINISTERS, AND THEY ARE QUASI-GOVERNMENTAL EXPORT COUNCIL, GUARANTEE INSTITUTE FOR EXPORT CREDIT (IN EFFECT, AN ARM OF THE MINISTRY OF COMMERCE), AND A/S EKSPORTFINANS (THE FINANCING AND EXPORT CREDIT INSTITUTE OF NORWEGIAN COMMERCIAL BANKS). IN THE CASE
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OF THE RECENT FINANCIAL AGREEMENT WITH EGYPT, CREDITS ARE ATATE-BACKED AND THE ARRANGEMENT USES THE RECENTLY-ESTABLISHED INTEREST ASSISTANCE REGULATIONS (INTEREST SUBSIDIES) FOR EXPORTS TO DEVELOPING COUNTRIES. QUOTE HENDRIKSON UNQUOTE OF REFTEL A MUST BE AMBASSADOR HANS HOEGH HENRICHSEN, WHOSE SPECIAL AREA OF GEOGRAPHIC FOCUS FOR THE EXPORT COUNCIL IS THE MIDDLE EAST. HE IS EMPOWERED

TO REPRESENT GON IN OFFERING CONCESSIONARY FINANCE TO FACILITATE EXPORT ORDERS FOR SHIPS.

2. AS WE UNDERSTAND IT, THE PARTICULARS OF THE LATEST NORWEGIAN-EGYPTIAN ARRANGEMENTS ARE BASICALLY AS OUTLINED BELOW. WE CAUTION THAT PRESS STATEMENTS THAT DEALS ARE LARGELY FINAL MAY PROVE PREMATURE.

3. ACCORDING TO PRESS ANNOUNCEMENTS (LARGELY SUBSTANTIATED BY GON SOURCES) AN AGREEMENT BETWEEN EGYPTIAN SHIPPING INTERESTS AND NORWEGIAN SHIPPING AND SHIPBUILDING COMPANIES CONCERNING CONSTRUCTION AND OPERATION OF HOTEL SHIPS AND FERRIES WAS SIGNED IN CAIRO ON AUGUST 5. THE AGREEMENT CALLS FOR CONSTRUCTION OF SIX HOTEL SHIPS EACH WITH A CAPACITY OF 160 PASSENGERS AND TWO 550 PASSENGER/160 CAR CAPACITY FERRIER AT NORWEGIAN SHIPYARDS FOR DELIVERY BY THE END OF 1979. THE TOTAL CONTRACT AMOUNTS TO ABOUT 500 MILLION NORWEGIAN KRONER (95 MILLION DOLLARS AT ONE DOLLAR EQUALS 5.25 NORWEGIAN KRONER) AND WILL BE COVERED BY THE 120 MILLION DOLLAR FINANCING AGREEMENT SIGNED BY THE NORWEGIAN AND EGYPTIAN GOVERNMENTS LAST SPRING (REF B). THE EGYPTIAN CONTRACTOR, ARAB WORLD EGYPT-AIR HOTELS SA HAS SIGNED A MANAGEMENT CONTRACT WITH THE JEBSEN SHIPPING GROUP IN BERGEN, NORWAY, UNDER WHICH THE JEBSEN GROUP WILL SUPERVISE THE BUILDING OF THE SHIPS AT NORWEGIAN YARDS AND MANAGE THEIR SUBSEQUENT OPERATION ON THE NILE.

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4. PRESS REPORTS ALSO CONTEND THAT A/S KRISTIAN JEBSENS REDERI (SHIPOWNER) HAS ALSO ENTERED INTO A JOINT VENTURE AGREEMENT WITH BANQUE MISR, CAIRO, AND ESTABLISHED A NEW COMPANY CALLED MISR EDCO SHIPPING COMPANY, LTD. THIS NEWLY-FORMED COMPANY IS TAKING OVER TWO JEBSEN 20,000 DWT BULK CARRIERS. IN ADDITION, MISR EDCO SHIPPING WILL CONTRACT FOR TWO 25,000 DWT BULK CARRIERS TO BE BUILT IN NORWAY UNDER THE NORWEGIAN-EGYPTIAN FINANCING AGREEMENT. MR. AHMED FOUAD, BANQUE MISR'S CHAIRMAN OF THE BOARD, IS ALSO CHAIRMAN OF MISR EDCO SHIPPING. THE OTHER MEMBERS OF THE BOARD ARE HASSAN IBRAHIM AND NORWEGIAN SHIPOWNER ATLE JEBSEN.

5. THESE ARRANGEMENTS WILL EVENTUALLY INVOLVE VARIOUS LINES OF CREDIT ARRANGED THROUGH A/S EKSPORTFINANS, AND THEREFORE MUST BE APPROVED BY THAT ORGANIZATION'S BOARD. THEY ALSO MUST BE GIVEN FINAL APPROVAL BY THE GUARANTEE INSTITUTE FOR EXPORT CREDIT. ONE SOURCE ADMITTED TO US, HOWEVER, THAT THE ARRANGEMENTS WOULD NOT HAVE BEEN PURSUED THIS FAR IF SUCH APPROVAL WERE NOT SUBSTANTIALLY ASSURED.
LERNER

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